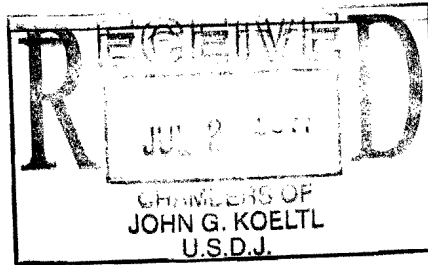


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July 29, 2011

VIA FACSIMILE

Hon. John G. Koeltl
United States District Court for the Southern District of New York
500 Pearl Street
New York, New York 10007

Re: Atlantis Rehabilitation and Residential Health Care Facility v. Paterson (10-cv-3979)

Dear Judge Koeltl:

Pursuant to this Court's May 27, 2011 memorandum endorsed, the parties submit this letter to report on the status of the above-entitled action. Under the terms of the joint application of the parties, so-ordered on June 30, 2010, three things had to occur before plaintiffs could move for a preliminary injunction and trigger defendants' time to respond to the Complaint – (a) approval by the Center for Medicare and Medicaid Services; (b) the adoption of a budget by the State of New York for FY2010-11; and (c) approval of reimbursement rates by the Director of the Budget of the State of New York. It is now clear that these three conditions will not be satisfied because a different rate structure has been implemented.

On June 21, 2011, a new rate structure, retroactive to April 2009, went into effect. Plaintiffs are in the process of analyzing the new rate structure and will then seek permission to file a further amended complaint or some other form of relief.

Respectfully submitted,

Fran M. Jacobs

Fran M. Jacobs

cc: Scott Spiegelman, Assistant Attorney General (by e-mail)
James Hersher, Assistant Attorney General (by e-mail)

*Parties should report
on the status of the
case by 8/30/11*

*So ordered.
JGK
U.S.D.J.*

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7/29/11